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APPOINTMENT OF THE EXTERNAL AUDITOR FOR THE TERM JULY 1998 - JUNE 2002

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NOTE TO THE EXECUTIVE BOARD

This document contains recommendations for review and approval by the Executive Board.

Pursuant to the decisions taken on the methods of work by the Executive Board at its First Regular Session of 1996, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The meetings of the Executive Board are to be conducted in a business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.

The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.

The WFP focal point for this document is:

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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documentation and Meetings Clerk (tel.: 6513-2641).



1. At its Thirty-sixth Session in October 1993, the Committee on Food Aid Policies and Programmes (CFA) appointed the Cour des Comptes of France as the External Auditor of WFP for a period of four years, commencing 1 July 1994 and ending 30 June 1998. The appointment was for the audit of the WFP Financial Statements for the 1994-95 and 1996-97 biennia. During the same session, the Bureau proposed that the CFA develop specific procedures for the appointment of future External Auditors, a proposal affirmed by many delegates but not yet implemented.
2. The purposes of this paper are to:
 - a) obtain the guidance and decision of the Board on the appointment of the WFP External Auditor for the next term corresponding to the financial periods 1998-99 and 2000-01;
 - b) present the options available to the Board following the approval of the new WFP Financial Regulations, which may change the eligibility and the period of the term of the WFP External Auditor; and
 - c) propose specific procedures in the future selection and appointment of the WFP External Auditor.

PROVISIONS OF THE WFP FINANCIAL REGULATIONS

3. The current WFP Financial Regulations that are relevant to the appointment of the External Auditor are the following:

Financial Regulation 11.1: *“The Board shall appoint an External Auditor to perform the audit of the accounts of WFP. The External Auditor shall be the Auditor-General (or official holding the equivalent title) of a State member of the United Nations or FAO.”*

Financial Regulation 11.2: *“The External Auditor shall be appointed for a four-year term which shall commence on 1 July of the first year of the financial period. He or she may be re-appointed for only one further four-year term.”*

ELIGIBILITY AND TERM OF OFFICE

4. In the proposed new WFP Financial Regulations, as presented to the Board in this Session by the Open-ended Working Group on the Revision of WFP's General and Financial Regulations, the provisions of Financial Regulations 11.1 and 11.2 (proposed as Regulations 14.1 and 14.2) remain unchanged. However, the FAO Finance Committee and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) propose differing amendments with respect to the eligibility and term which may or may not necessitate changes in the procedures for the selection and appointment of the WFP External Auditor. The options proposed are summarized below.

Eligibility

Option 1. The External Auditor will be the Auditor-General (or official holding the equivalent title) of a State member of the United Nations or FAO (current practice also agreed to by the ACABQ).



Option 2. The External Auditor may be the Auditor-General (or official holding the equivalent title) of a State member of the United Nations or FAO or a private audit firm (proposed by the FAO Finance Committee).

Term of office

Option 1. The External Auditor shall be appointed for a four-year term which shall commence on 1 July of the first year of the financial period with the possibility for re-appointment for another term only (current practice also agreed to by the ACABQ).

Option 2. The External Auditor shall be appointed for a four-year term which shall commence on 1 January of the first year of the financial period without limitation of re-appointment (as proposed by the FAO Finance Committee).

5. The term of the incumbent External Auditor ends on 30 June 1998; whichever proposal is adopted, the next term of the External Auditor will commence on **1 July 1998**. This next term will end on **30 June 2002** if the current practice remains unchanged, or on **31 December 2001** if the FAO Finance Committee proposal is adopted.

SELECTION AND APPOINTMENT PROCEDURES

6. The 1994-97 period was the first term in which the WFP External Auditor was appointed by the CFA. The procedures followed were:
 - the Executive Director invited a limited number of Auditors-General (or officials holding the equivalent title) of States members of the United Nations and FAO to submit their proposals;
 - the FAO Finance Committee and the ACABQ evaluated the three proposals received and presented their comments to the CFA;
 - the Bureau of the CFA further evaluated the three proposals, and presented its recommendations to the CFA, taking into consideration the comments of the FAO Finance Committee and the ACABQ;
 - the CFA discussed the proposals and approved by consensus the recommendation of the Bureau.
7. The ACABQ raised concerns on the procedures followed in 1993, recommending that the invitation to submit a bid be extended to all the member States and that the final CFA decision be taken by secret ballot. Furthermore, the ACABQ recommended that the budget of the external audit function be approved by the CFA on the basis of the External Auditor's proposed audit programme.



RECOMMENDATIONS

1. As regards the next term of the WFP External Auditor commencing on **1 July 1998** for the financial periods 1998-99 and 2000-01, the Board may wish to consider the following alternatives:
 - a) **First Alternative:** Re-appoint the incumbent WFP External Auditor, without prejudice to the existing two-term limit.
 - b) **Second Alternative:** Appoint a new WFP External Auditor on the basis of competitive selection from proposals of eligible external auditors and subject to the relevant provisions of the new Financial Regulations.
2. In the future selection and appointment of the WFP External Auditor, the Executive Director recommends that:
 - a) the Board adopt the policy that the appointment will be based on competitive selection from proposals of eligible external auditors.
 - b) The Bureau of the Board establish procedures and criteria (including work plan, fees, etc.) to be used in the competitive selection and evaluation of proposals, and present these to the Board at its First Regular Session of 1998.
 - c) The Bureau of the Board initiate and oversee the competitive selection process and evaluate all proposals received, taking into consideration the comments of the FAO Finance Committee and the ACABQ, as well as present to the Board the results of its evaluation together with its recommendation.
 - d) The Board decide by consensus or, failing that, by secret ballot.

